



Compliance Audit Report Public Version

**Confidential Information (including Privileged and
Critical Energy Infrastructure Information)
Has Been Removed**

**EFS Parlin Holdings LLC
NCR10257**

**Date of Audit
November 9 to 12, 2009**

**Date of Report
December 3, 2009**

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Executive Summary

This compliance audit report is public version. Confidential information (including privileged and critical energy infrastructure information) has been redacted from this report. The full final compliance audit report was submitted to the audited entity and NERC.

An off-site compliance audit of EFS Parlin Holdings LLC (Parlin) was conducted on November 9 - 12, 2009. ReliabilityFirst conducts compliance audits as part of the ReliabilityFirst Compliance Monitoring and Enforcement Program (CMEP). At the time of the audit, Parlin, NERC ID NCR10257, was registered for the Generator Owner (GO) and Generator Operator (GOP) functions that it performs in the ReliabilityFirst region.

ReliabilityFirst provided a 90 day notification to Parlin which requested data and information to provide evidence of compliance with NERC Reliability Standards within the scope of the audit. Parlin submitted material that the audit team reviewed and used to assess Parlin's compliance with the NERC Reliability Standards. The audit team developed findings based on this review and assessment.

The Audit Team assessed Parlin's compliance with thirteen (13) NERC Reliability Standards, which are applicable to Parlin as a registered Generator Owner (GO) and Generator Operator (GOP) in the ReliabilityFirst region. The thirteen (13) NERC Reliability Standards include thirty (30) requirements that are applicable to the GO and GOP functions. No ReliabilityFirst Regional Standards were included in the scope of the audit.

Parlin was prepared for the audit and provided documentation in a complete and concise manner. Based on the evidence provided by Parlin, the audit team determined that one (1) NERC Reliability Standard and one (1) associated requirement was not applicable to Parlin, and that Parlin was compliant with the remaining twelve (12) NERC Standards and twenty-nine (29) associated requirements.

There were no ongoing Mitigation Plans and therefore none were reviewed by the audit team.

Audit Process

The compliance audit process steps are detailed in the ReliabilityFirst CMEP. The ReliabilityFirst CMEP generally conforms to the United States Government Accountability Office Government Auditing Standards and other generally accepted audit practices.

Objectives

Parlin is subject to audit for compliance with all Reliability Standards applicable to the functions for which it is registered.¹ The audit objectives are to:

- Review Parlin's compliance with the requirements of the Reliability Standards that are applicable to Parlin based on its registered functions
- Validate compliance with applicable Reliability Standards from the NERC 2009 Implementation Plan list of actively monitored Standards
- Validate evidence of self-reported violations and previous self-certifications, confirm compliance with other requirements of the Reliability Standard, and review the status of associated mitigation plans
- Document Parlin's internal compliance culture
- Validate compliance with other NERC Reliability Standards outside the 2009 implementation plan as selected by ReliabilityFirst
- Validate compliance with applicable ReliabilityFirst reliability standards that are applicable to Parlin

Scope

The scope of the audit included Reliability Standards which were selected by NERC for monitoring via audit in the 2009 CMEP Implementation Plan. ReliabilityFirst also monitored all applicable ReliabilityFirst standards, self certifications, and mitigation plans as appropriate for the period of June 18, 2007 through the date of the audit.

Confidentiality and Conflict of Interest

Confidentiality and Conflict of Interest of the audit team are governed under the ReliabilityFirst Delegation Agreement with NERC and Section 1500 of the NERC Rules of Procedure. Parlin was informed of the ReliabilityFirst obligations and responsibilities under the agreement and procedures. The work history of each audit team member was provided to Parlin. Parlin was given an opportunity to object to an audit team member on the basis of a possible conflict of interest or the existence of other circumstances that could interfere with the audit team member's impartial performance of duties. Parlin did not submit any objections by the stated fifteen day objection due date and by this action has accepted the audit team member participants without objections. ReliabilityFirst found no conflict of interest for any of the audit team members.

¹ North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

Off-site Audit

Parlin is subject to an audit once every six years as provided by the NERC Rules of Procedure. Parlin was provided a 90 day notification of this scheduled audit and at that time all necessary documents required by the NERC and ReliabilityFirst audit process were provided. The following documents were provided as part of the notification:

- 90 day Notification letter which contained a request for evidence, information, and data submittals
- Compliance Audit Survey
- Audit Agenda as applicable
- Internal Compliance Survey
- Audit Team Work History and Confidentiality documentation with discussion of the objection process
- General Instructions of Data or Information Submittals
- Compliance Questionnaire and Reliability Standard Auditor Worksheets (QRSAs)

The documents listed above were provided to Parlin in electronic format.

ReliabilityFirst discussed the use of technical experts with the Parlin primary compliance contact and indicated that ReliabilityFirst would welcome the use of technical experts by Parlin as it deemed necessary to explain their compliance to the Reliability Standards. As such, Parlin had been notified to provide any technical experts or personnel that it deemed necessary in order to provide the Audit Team an understanding of the evidence provided to demonstrate compliance with Reliability Standards.

The audit team reviewed Parlin's compliance processes for all applicable standards with Parlin and requested additional information to clarify information previously supplied to the team. These discussions in conjunction with evidence provided, supplied the audit team with a basis for using professional judgment when validating compliance to the Reliability Standards.

Methodology

The audit team reviewed the evidence provided by Parlin for each of the requirements that are applicable to the functions performed by the company to determine if the company complied with those Reliability Standards and associated requirements. The team reviewed each requirement, discussed the levels of compliance and addressed each team member's observations from the audit to determine its findings from the review.

Opening Briefing

An Opening Briefing was conducted to discuss the following:

- Introduction of audit team
- Audit Objective and Scope
- Confidentiality of Information
- Audit Team Expectations
- Discussion on Clarification Calls
- Audit Process
- Exit Briefing and schedule

Audit

The audit team reviewed each requirement and the evidence provided to determine if Parlin was compliant with the requirement. The team discussed its findings to determine Parlin's compliance to each of the standards. Upon request, Parlin provided additional information or clarified existing information during the review of its material.

Exit Briefing

The audit team presented its preliminary findings to the Parlin staff. The team lead explained the findings from the audit. The exit presentation also covered the reporting process going forward, confidentiality of information, and audit feedback forms that the region is using to improve the audit process. Parlin was provided an opportunity to ask questions which the audit team addressed.

Company Profile

GE Energy Financial Services Inc., a Delaware Corporation and an affiliate of General Electric Capital Corporation GECC, provides management oversight for EFS Parlin Holdings, LLC. Operations and maintenance services are provided by GE Contractual Services, an affiliate of GECC. EFC Parlin Holdings, LLC is an Independent Power Producer (IPP) which consists of two (2) GE6B, 39 megawatt gas turbines (GTs) and two (2) Alstrom, 21 megawatt steam turbines (STs). All generators have a terminal voltage of 13.8 kV connected to step-up transformers to the First-Energy 230 kV switchyard adjacent to the plant site.

Audit Specifics

The compliance audit was conducted on November 9 - 12, 2009 at the ReliabilityFirst office in Akron, OH.

Audit Team

Audit Team Role	Title	Company
Lead	Manager, Compliance Program Implementation and CVIs.	ReliabilityFirst
Member	Senior Consultant	ReliabilityFirst

Parlin Audit Participants

Title	Organization
Vice President Portfolio	GE Energy Financial Services
Senior Vice President	GE Energy Financial Services
Compliance Manager	GE Energy Financial Services
Facility Manager	GE Energy Financial Services

Audit Results

The audit team assessed Parlin's compliance with 13 NERC Reliability Standards and 30 associated requirements that are applicable to the GO and GOP functions.

After reviewing all of the evidence presented, Parlin was found to be compliant with twelve (12) NERC Standards and twenty-nine (29) associated requirements that apply to Parlin for the functions that it is registered to perform in the ReliabilityFirst Region. The audit team determined that one (1) NERC Reliability Standard and one (1) associated requirement was not applicable to Parlin for the time period of the audit.

Findings

The following table lists the auditor findings relating to evidence reviewed for compliance with the Reliability Standards within the scope of the compliance audit.

EFS Parlin Holdings LLC Off-Site Audit Findings Table

Reliability Standard	Requirement	Finding
CIP-001-1	R1	Compliant
CIP-001-1	R2	Compliant
CIP-001-1	R3	Compliant
CIP-001-1	R4	Compliant
COM-002-2	R1	Compliant
FAC-008-1	R1	Compliant
FAC-008-1	R2	Compliant
FAC-008-1	R3	Compliant
FAC-009-1	R1	Compliant
FAC-009-1	R2	Compliant
IRO-001-1	R8	Compliant
IRO-004-1	R4	Compliant
IRO-005-2	R13	Compliant
PRC-001-1	R1	Compliant
PRC-001-1	R2	Compliant
PRC-001-1	R3	Compliant
PRC-001-1	R5	Compliant
PRC-004-1	R2	Compliant
PRC-004-1	R3	Compliant
PRC-005-1	R1	Compliant
PRC-005-1	R2	Compliant
PRC-017-0	R1	N/A
TOP-001-1	R3	Compliant
TOP-001-1	R6	Compliant
TOP-001-1	R7	Compliant
TOP-002-2	R3	Compliant
TOP-002-2	R13	Compliant
TOP-002-2	R14	Compliant
TOP-002-2	R15	Compliant
TOP-002-2	R18	Compliant

Compliance Culture

The EFS Parlin Holdings LLC site compliance program utilizes the information provided by Reliability*First* to determine the scope used to meet the NERC Reliability Standards. The Site Compliance Officer oversees NERC compliance at the site level and reports up through the parent company (GEEFS). The Site Compliance Officer has access to the CEO of GE Financial Services and has the authority to communicate compliance issues requiring the CEO and senior leadership attention appropriately to these individuals. The Site Compliance Officer manages the internal compliance program independently of the O&M Operator, GE Contractual Services.

Reviews and modifications to the internal compliance program are performed regularly or if there are changes to the plant or Bulk Electric System (BES). The internal compliance program for EFS Parlin Holdings, LLC includes an annual self-audit. Self-audits and as required, self-enforcement of internal controls are included as part of the internal compliance program.

Training on the internal compliance program is completed in-house based on the details contained in each compliance standard. The site internal compliance program requires all employees to be trained on Reliability Standards as they are developed or modified. Training on each of the Reliability Standards is performed annually.